


















Impact Accelerator

<p>Key results:</p> <ul style="list-style-type: none"> • Creation of decent jobs (direct and indirect), with a focus on youth and women, alongside improved productivity and formalisation in supported companies and their supply chains. • Increased trade, investment and technology transfer between Danish companies and partner companies in Emerging Markets and Developing Economies (EMDEs). <p>Justification for support:</p> <ul style="list-style-type: none"> • Addressing the “missing middle” financing gap: SMEs in EMDEs face severe constraints in accessing risk-willing capital to grow and create jobs. The Facility provides concessional, performance-based finance tailored to companies with strong development and commercial potential. • Strengthening Danish economic engagement: The Facility creates synergies between financing and Danish trade, technology and investment as a driver of sustainable growth in SMEs in EMDEs, thereby supporting Denmark’s Economic Diplomacy Action Plan and Strategy for development cooperation. • High development additionality: The Facility targets markets and companies where financial additionality is strong and where Danish engagement can amplify development impact, including job creation, green transition and market-building effects. <p>Major risks and challenges:</p> <ul style="list-style-type: none"> • High credit risk and weak business environments: The Facility operates in high-risk markets and accepts elevated expected losses. • Currency and macroeconomic volatility constitute a risk. Risk premiums and portfolio diversification help manage facility-level exposure. • Insufficient pipeline of eligible companies with Danish links: Proactive sourcing through Danish business networks, embassies, EIFO and IFDK regional offices. 	File No.	25/11724						
	Country	Interregional						
	Responsible Unit	KLIMA						
	DAC-CRS code	25010						
	Partner (only one)	Impact Fund Denmark						
		<i>DKK million</i>	2026	2027	2028	2029	2030	Total
	Commitment	50	50	50				150
	Projected disbursement	20	50	50	30			150
	Duration	2026-2029						
	Previous grants (amount, period)	Africa Facility, 350 million, 2025-29 Capital Contribution, 3.6 billion, 2024-30 Somalia green growth, business enabling environment & Jobs DKK 80 million, 2025-2028.						
	Finance Act code	§ 06.38.01.11						
	Head of unit	Anne Hougaard Jensen						
	Desk officer	Mikkel Klim						
	Reviewed by CFO	YES: Jacob Strange-Thomsen						
	Primary SDG / Primary target(s):							
 No Poverty		 No Hunger		 Good Health, Wellbeing		 Quality Education		
 Gender Equality		 Clean Water, Sanitation		 Affordable Clean Energy		 Decent Jobs, Econ. Growth		
 Industry, Innovation, Infrastructure		 Reduced Inequalities		 Sustainable Cities, Communities		 Responsible Consumption & Production		
 Climate Action		 Life below Water		 Life on Land		 Peace & Justice, strong Inst.		
 Partnerships for Goals								

Project objective

To support sustainable and inclusive economic growth and decent employment in EMDEs through strengthened long-term commercial engagement with Danish companies.

Greening overview: completion of Rio markers on climate.	Rio marker: 0, 1 or 2	0 (0%)	1 (50%)	2 (100%)
	Climate adaptation (DKK)	0	0	0
	Climate mitigation (DKK)	0	1	0

Justification for choice of partner (method of selection):

Impact Fund Denmark was chosen due to its unique mandate and combination of experience with investments in EMDEs, impact investment management, strong presence in Denmark, procedures and frameworks for monitoring impact and close relationship with other actors. A scoping of possible other partners was undertaken. IFDK holds a special position for the implementation of this project.

Summary:

Impact Accelerator aims to create decent jobs and sustainable development in emerging markets and developing economies (EMDEs) by providing high-risk capital for SMEs which otherwise cannot access funds for business growth. Synergies with Danish businesses is central to the creation of impacts. In practice, the Facility offers performance-based soft loans (generally EUR 100,000–2 million) either directly to SMEs or indirectly through Danish companies. The high risk and small ticket size means the facility will not be financial sustainable and loss capital over time. The Facility represents a significant innovation in the landscape of Danish business instruments, due to its non-grant, yet concessional, capital and pragmatic focus SMEs and Danish companies in EMDEs. While the present project will establish the core Facility, the opportunity for follow-on grants with specific purposes are envisaged to use the Facility’s structure to deepen commercial engagement alongside development.

Budget

Investments	DKK 100 million
Investment implementation & TA	DKK 39 million
Administration	DKK 10 million
Reviews and studies	DKK 1 million
Total	DKK 150 million

Ministry of Foreign Affairs

Impact Accelerator

Annex A Project Document

Final Draft submitted to appraisal

February 2026

Impact Accelerator – Key Characteristics

Purpose

To support sustainable and inclusive economic growth and decent employment in EMDEs through strengthened long-term commercial engagement with Danish companies.

The Facility is highly concessional and impact-first, designed to accept high risks to create impact and foster long-term engagement with Denmark. Given the design, the facility will not be financial sustainable. Companies will be expected to repay loans, but from a portfolio perspective up to 50% of the invested capital could be lost. The facility is expected to mobilise co-investments from companies.

Products

The financial offer should match the need of companies with a large potential for impact and particularly with synergies to Danish trade and investment. The Facility offers a flexible instrument mix incl. loans, equity and mezzanine financing and will be tailored to the needs of companies with strong impact potential and commercial ties to Denmark. Instruments will be applied according to the maturity and character of each partnership, ranging from early-stage, Venture Capital-like investments to more established growth financing. Ticket size from EUR 100,000 to EUR 3 million, target average EUR 1 million. Lower tickets than EUR 100,000 can be accepted in certain situations.

Target companies

Companies with a Danish economic interest, understood broadly to include firms that engage with Denmark through export, import, sourcing, technology transfer, partnerships, or investment relationships. Danish interests can arise at multiple stages of commercial engagement from early export or procurement links to deeper collaboration such as joint ventures, sales offices, or local processing. Companies that supply Danish firms or integrate Danish technology and expertise are a particular category of interest.

Target countries

The starting point is DAC countries with a Danish representation, but eligibility is all DAC countries. There must be a balance between countries with high ex ante financial additionality, i.e. low-income countries, and other DAC countries.

Implementation modality

The Facility is structured with two workstreams:

- A capital workstream: Flexible and risk-willing investment capital
- A partnership workstream: Partnering with business member organisations to actively source and build pipeline and partnerships. Supporting the DK-EMDE partnerships throughout the investment cycle to maximise synergies and impact.

Budget and timing

The Facility has a budget of DKK 150 million. The current period is designed to run for 10 years. The current phase is a pilot and strong learning, adjustments and flexibility is necessary. The funds lent out will revolve to the extent possible and additional fundraising is included in the design. Additional windows are foreseen.

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1 Introduction

The Facility implements the Danish Strategy for Development Cooperation, A Changing World from 2025, which calls job creation, trade and investments as a core pillar in its ambition to create more equal partnerships with emerging markets and developing economies (EMDEs). In particular, the strategy identifies a potential for strong, sustainable development effects through synergies between Danish businesses' engagement in emerging markets and developing economies (EMDEs) and Danish development cooperation.

Impact Accelerator (the Facility) described in this document seeks to develop, catalyse and fund such synergies.

The core activity of the Facility is financing of small and medium-sized enterprises (SMEs) in EMDE's. Small and medium sized enterprises form the backbone of many EMDEs. They account for more than 50 percent of employment and 40 percent of gross domestic product (GDP), according to the World Bank.¹ At the same time, access to finance is a critical obstacle for these companies. The financing gap for formal micro, small and medium-sized enterprises in EMDEs alone is estimated to be US\$ 5.7 trillion, which is equivalent to 19 percent of GDP, according to the IMF.²

That is the reason why Denmark has increased its general efforts related to mobilising finance, also for SMEs.³ The Facility contributes to these efforts, with particular focus on synergies through engagement with Danish businesses. The Danish businesses provide quality markets, supply inputs, equipment and technology and invests in SMEs in EMDEs.

The Facility will stimulate synergies and involvement by Danish actors in new ways. It offers concessional financing, enabling sustainable business growth. Its capital offer will facilitate market linkages and reduce risk of engagement.

The ambition is to create and test a new Danish vehicle for deploying investment capital within the mandates of development cooperation.

Operationally, the Facility is one of five Danish business instruments launched in 2026 (see box). The justification, relevance and setup should be seen in connection with the entire Danish offer. In practice, reference is made to the Strategic Framework developed for these instruments. This project document is meant to supplement the analyses therein.

The vision of all the new instruments is that stronger engagement with the Danish private sector can benefit development and growth for businesses in EMDEs.

The Facility will be managed by Impact Fund Denmark (IFDK) and fills an important gap relative to existing facilities by offering lower ticket sizes and a higher risk appetite, complementing instruments such as the Africa Facility. The design of the Facility is fully aligned with the MFA Strategic Ownership

Box 1 – Five instruments under the new Danish overall business support initiative

- E1 – Early Exploration Facility
- E2 – Partnerships on Business and Development Facility
- E3 – Impact Accelerator
- E4 – Early Maturation and Demonstration
- E5 – Impact Investor Partnerships

¹ Carvajal, Ana Fiorella, and Tatiana Didier. "Boosting SME Finance for Growth." (2024)

² SME Finance Gap Report, IFC, 2025.

https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/IFC%20Report_MAIN%20Final%203%202025.pdf

³ The instrument targets companies from 10 to 499 staff. See further definitions and criteria below.

Document from 2025, which identifies Danish commercial interests as a specific focus area for IFDK and further mandates IFDK to “seek investment partnerships with Danish partners or with local partners in developing countries that can strengthen the value chains of Danish companies” and incorporate “Danish actors and Danish technology into current and future projects.”

In recent years, a range of stakeholders and partners to Danish development cooperation have expressed the need for a vehicle that can offer financing to commercial partners. If the Impact Accelerator proves to be successful in achieving its expected objectives, it is foreseen that additional funding could be channelled to IFDK to further expand investments.

2 Context, main actors, rationale and justification

2.1 Main rationale and justification

EMDEs are playing an increasingly prominent role in the global economy. In EMDEs, a rising middle class is creating an expanding consumer base and driving greater demand for innovative solutions, which in turn generates more jobs and income opportunities. However, political uncertainty, shifting alliances, and global trade tensions are deterring businesses from entering new markets, disrupting international trade and investment flows.

Holding back growth of SME’s is a significant constraint on job creation and development. One main bottleneck is access to risk-willing finance. This is why a key priority in Denmark’s Development Cooperation Strategy, *A Changing World*, is to support entrepreneurship and small and medium-sized companies.

Another, closely linked, priority is to use strongholds of Danish companies as a lever to create jobs and growth in EMDEs. Strengthening commercial ties between companies from Denmark, and companies in EMDEs is thus a central priority. Denmark has a great opportunity to help build and strengthen businesses engagement with local SMEs in emerging economies, contributing to job creation, sustainable growth, and the achievement of the Sustainable Development Goals.

The main justifications for the present project’s support facilities are as follows:

- SMEs are core drivers of job creation and development in EMDE’s. Yet they lack access to appropriate financing, technology and markets due to market failures. By targeting this missing middle, the Facility helps unlock the potential and foster local job creation and economic growth, advancing global development goals⁴.
- Danish companies can offer expertise and technology, access to markets as well as capital to companies in EMDEs, thereby contributing to sustainable economic growth, job creation, through long-term economic partnerships that benefit both regions.
- Denmark has an interest in supporting engagement of Danish companies in EMDEs to help diversify supply chains and strengthen resilience. However, due to the market failures, and the increased global uncertainty, Danish companies are hesitant to engage without support and risk mitigation.

⁴ Large, well established companies are of course also important for sustainable development, but do not face the same obstacles as SMEs in their efforts to access finance, technology and markets.

2.2 Main Actors

2.2.1 Local SMEs

Local SMEs (in EMDEs) consists of a highly diverse group, operating across sectors such as agriculture, manufacturing, services, and technology.⁵ These businesses are often the backbone of local economies and play a crucial role in job creation and innovation. However, many SMEs in EMDEs face barriers to growth. Access to finance remains a significant challenge, with many businesses being unable to secure affordable loans or the investment needed for expansion. In addition, SMEs may struggle to find reliable off-takers for their products, limiting their ability to scale and enter new markets and contribute to the SDGs.

2.2.2 Danish Companies

Danish companies include a broad spectrum of corporates and SMEs whose commercial engagement with EMDEs follows different pathways and levels of maturity. These companies may seek to expand into new markets, act as off-takers for products from EMDEs, export equipment and technology, or other types of commercial partnerships. However, entering and operating in these markets can be challenging. Companies often face difficulties in navigating unfamiliar regulatory systems, identifying reliable local suppliers and partners, and adapting to diverse business environments. Access to export finance is also a key constraint, as export credit agencies such as EIFO typically require sovereign guarantees that are difficult to obtain in many EMDEs. Success in these markets typically requires strong local knowledge, robust networks, and the ability to build trust with local stakeholders.

To address these barriers, Danish companies often rely on the support provided through Denmark's economic diplomacy system, including embassies, the Trade Council and related initiatives, which help reduce information gaps, identify credible local partners, and facilitate access to relevant networks. Similarly, the Facility complements these efforts by offering risk-willing capital and partnership facilitation that make it easier and safer for Danish companies to enter or expand in EMDE markets.

2.2.3 Impact Fund Denmark

Impact Fund Denmark (IFDK) is already investing in EMDEs and thus plays a crucial role in the sector. This fund will allow IFDK to expand its offer to companies in EMDEs and to deepen its impact. IFDK's existing instruments primarily focus on large ticket-size investments, typically between DKK 15 million to DKK 500 million, which are not accessible to many smaller or newer entrants in these markets. This leaves a significant financing gap, the missing middle, for SMEs seeking smaller-scale investments.

While IFDK recently launched the Africa Facility which does lower ticket sizes, many companies with strong impact potential remain too small or too risky for IFDK's current investment profile. These are the businesses that this fund aims to target. To ensure complementarity with IFDK's other instruments, the Facility will offer smaller ticket sizes and a different risk-return-impact profile. IFDK Regional offices will play a key role in sourcing, assessing and monitoring investments.

Investing in SME with small ticket sizes requires more management resources per invested amount and is often also riskier than engaging in larger ticket size investments with bigger, more robust, companies. Therefore, financial returns net of cost are significantly lower.

⁵ The EU definition for SMEs and small mid-cap companies is used, see selection criteria below.

2.2.4 Local Investment Funds and Banks

Local investment funds⁶ play a crucial role in supporting SMEs and entrepreneurs in emerging and developing markets. With deep knowledge of local markets and close relationships with their portfolio companies, these funds are well-positioned to identify promising businesses and provide tailored support. However, they often face significant challenges in finding secondary markets and securing exits from their investments, which can limit their ability to recycle capital and scale their impact.

2.2.5 Lessons from Previous Engagements

The design of this new fund draws on experiences from past instruments linking Danish Businesses to development interventions. One key learning is the importance of ensuring that partnerships are mutually relevant and beneficial for both Danish and the local partner. If there is no interest from the local side the intervention will simply disappear once the grant period is over and not create any lasting impact. Experience from the Business-to-Business Programme (2006-2011) also showed that excessive subsidies can undermine the effectiveness and sustainability of the funding.⁷ More recent business instruments have received similar feedback, particularly from businesses: The need is for risk-willing finance. As such, targeted, demand-driven support with a clear focus on commercial viability are essential for achieving lasting development impacts.

3 Objectives and Intervention Logic

3.1 Overall objective and key outcomes

The Facility takes a long-term perspective. The objective is to strengthen the economic engagement and sustainable private sector development, and thus not necessarily to achieve short-term goals of trade and investment. It is recognised that EMDEs in many cases do not constitute first choice for companies in Denmark. To ensure long-term positive effects - in EMDEs as well as on the companies from Denmark – the commercial models must be beneficial to companies in EMDE as well as the partner companies in Denmark. For that reason, the objective is not primarily to increase trade in the short term. Instead, focus is to strengthen long-term economic relations.

With that in mind, the overall objective is:

To support sustainable and inclusive economic growth and decent employment in EMDEs through strengthened long-term commercial engagement with Danish companies. The two key outcomes are:⁸

Outcome 1: Supported companies expand sustainably and generate inclusive growth in EMDEs (EMDE SMEs, Danish companies operating in EMDEs, joint ventures)

Outcome 2: Commercial partnerships between Danish and EMDE companies generate long-term economic integration and technology transfer

3.2 Theory of Change and key assumptions

The general theory of change is the following:

⁶ This would include local PE or venture funds that invest in SMEs

⁷ Danish Ministry of Foreign Affairs 2014, [Evaluation of Danida Business-to-Business Programme 2006-2011](#)

⁸ Outcomes 1 and 2 contribute to focus area 1 of the Danish Strategy for Development Cooperation, “Job creation, economic growth, trade, and investment” as well as focus area 3, “A just, sustainable and green transition”. Measurement of outcome will be at the end of each investment, and then primarily with qualitative means. This is to ensure an assessment of attribution between the investment and the outcomes.

If the Facility actively sources investment opportunities, builds pipelines, and facilitates commercial linkages between Danish companies and firms operating in EMDEs, then capital-constrained businesses will receive targeted, concessional and risk-tolerant financing.

If the Facility conducts targeted engagement with key business member organisations and other ecosystem stakeholders through structured outreach activities, then awareness and understanding of the Facility’s mandate, instruments and eligibility criteria will increase among relevant intermediaries and potential partners. This increased awareness is expected to improve the identification of eligible investment opportunities, strengthen pipeline development, and facilitate more efficient matching between Danish companies, local firms in EMDEs and the Facility’s financing offer.

Assuming that access to appropriate capital is a binding constraint, and that other growth conditions such as market access, management capacity, skilled labour and basic framework conditions are sufficiently present, this financing will enable productivity improvements and business expansion in EMDE operations.

Increased productivity and business growth are expected to lead to the support of direct and indirect jobs and higher value added. Environmental and climate performance *may* improve where investments support resource efficiency, cleaner technologies, or sustainable production models.

If Danish partners contribute market access, advanced technologies, quality standards or investment, supported companies in EMDEs will upgrade production processes, adopt higher sustainability standards, and integrate into longer-term commercial relationships. These partnerships are expected to strengthen economic integration and facilitate technology transfer.

Successful investments *may* further mobilise additional private capital alongside or following The Facility’s participation, contributing to broader financial deepening and sustained economic engagement. The details on the individual links are provided in the following.

3.2.1 Effects from capital injection

Capital injection is at the core of the Facility. A key assumption is that capital is a binding constraint for many SMEs in EMDEs seeking to expand and potentially partner with a Danish company in doing so. Capital combined with other services such as links to off-takers or business development support is likely to increase the effect. Businesses growth leads to productivity increases for the company which in turn will create additional net activity in the economy. Productivity increase means that the company must not only grow bigger but should also achieve higher output (in value) per input (labour, supplies). The resulting business growth will lead to decent job creation, either in the form of direct, indirect or induced jobs.⁹ In practice, job creation may involve the addition of jobs or replacement of lower productivity jobs with higher productivity jobs. A net positive direct job creation is thus a positive sign, but not a condition for positive effect overall.

Box 2: Jobs

Direct jobs: Jobs at the level of the businesses.

Indirect jobs are when business growth leads to increased jobs in the supply chain of the company.

Induced jobs may result from reinvested savings elsewhere in the economy.

The assumption for additional capital to lead to business growth is that the company is capital constrained, and that other elements necessary for business growth are present. Availability of markets, inputs, skilled labour, and management capacity are all examples of

⁹ For a thorough assessment of the connection between business growth and job creation see [Chapter 3 in The World Bank Group \(2013\): “Jobs”](#). The report describes the typical positive net job effect from productivity increases.

necessary preconditions for capital to lead to business growth. Framework conditions may be challenging, but not to the extent that it prevents business growth.

The increase in economic activity at the level of the business may create higher income for the same amount of people or income for more people (or both). Beyond direct effects within the company, such expansion may also generate indirect effects in the broader economy. For example, increased production often raises demand for inputs and services along the value chain, thereby stimulating economic activity among suppliers and distributors. At the same time, productivity improvements may lower production costs, potentially leading to more affordable goods and services. In case these goods and services are in turn produced or used by poorer segments of the population, the cumulative effect can contribute to poverty reduction. Consider the case of an agro processing company, who invests in new equipment. At firm level, automation replaces low productivity jobs with higher productivity jobs. In the supply chain, the increase in offtake then leads to higher incomes amongst suppliers, such as small-holder farmers, which would in turn increase their incomes. As such, the overall poverty or impact on economic growth in the eco-system of the investment, depends not only on changes at firm level, but also on how gains are distributed across the wider value chain.

Nevertheless, quantitative business growth, productivity (measured in outputs) or simple increase in the number of staff is not sufficient for impact. Quality matters as well. A necessary assumption for impact is thus that IFDK as investor will have sufficient leverage to pursue qualitative improvements. Jobs must be decent, following ILO's criteria of fair pay, health and safety and equal opportunities, among others. ESG requirements, as well as specific frameworks such as gender lens investment, climate-aligned investments, responsible business conduct and environmental sustainability will ensure these efforts.

3.2.2 Effects from increased engagement with Denmark

Increased engagement with Denmark may be in the form of export, import or investments. Supply to, or offtake from, Danish-owned companies also constitute increased engagement.

Export from a target company can lead to increased volume of sales or increase value of sales, if clients demand more complex and thus valuable products.¹⁰

Import into a target country may increase productivity, e.g. by enabling the use of new technology or high value supplies.

Investments enable local joint venture firms to be established and grow. If successful, they will in themselves create jobs but may also increase the demand for quality inputs in the market.

In Tanzania, the use of advanced Danish grain processing and storage technology leads to lower post-harvest loss and increase in quality and quantity and thus the value of goods sold.

In Kenya, a juice producer reported the willingness to purchase pulp locally if the quality was at the right level.

¹⁰ For this reason, the Atlas of Economic Complexity and the thinking behind it can be used to source or select investments. <https://atlas.hks.harvard.edu/>

3.2.3 Market effects

The largest potential effect from this intervention lies not in the direct effects on the businesses and their supply chains, but in wider market effects.¹¹ A commercially successful investment in a company venturing into a new sub-sector or using a new technology may have demonstrations effects. Moreover, the use of private sector finance instruments may crowd in private capital, even once the intervention is over. Spill-over effects may happen when new technology is introduced in one company in a larger market and then adopted by other companies. Capital mobilisation may happen at the level of the company through direct co-investors, at the level of the investment funds or wider in terms legitimising new types of investments.

In Northern Nigeria, Arla has established a milk farm with 400 cows. The farm supplies milk to a nearby Arla-owned yogurt factory, but serves also as learning center for the region.

The Facility should particularly prioritise the pursuit of market effects, e.g. through publishing success stories and best practice papers and hosting industry tours and seminars. Measurement should track market effects. Recognising that attribution will be weaker, qualitative methods and indicators should be used.

3.2.4 Assumptions

A number of assumptions must hold for investments and strengthened commercial engagement to lead to development in EMDEs.

First, it is assumed that access to appropriate risk-tolerant capital is a binding constraint for supported companies, and that financing on fully commercial terms would not otherwise be available. It is further assumed that basic enabling conditions, including market access, management capacity, and a minimally stable regulatory environment, are sufficient to allow business growth.

For employment effects, it is assumed that productivity improvements and business expansion in EMDE operations will translate into more direct and indirect jobs supported. While productivity gains may in some cases reduce low-productivity employment, reinvestment and market expansion are expected to generate positive net employment effects over time.

It is also assumed that a sufficient number of commercially viable partnerships between Danish companies and firms operating in EMDEs exist or can be developed, and that such partnerships create tangible upgrading effects, including technology transfer and improved standards.

Finally, it is assumed that supported companies comply with applicable national regulations and that The Facility's ESG requirements ensure alignment with relevant international standards, thereby avoiding significant environmental or social harm. It is further assumed that The Facility's participation reduces perceived risk and thereby mobilises additional private capital alongside or following its investments.

3.3 Additionality

The above theory of change may play out even in the absence of the intervention. Private capital markets may in and of themselves increase capital in these very companies. Additionality is thus important for the

¹¹ https://ieg.worldbankgroup.org/sites/default/files/Data/reports/chapters/sme_chap2.pdf

Theory of Change. The key question is: “Would this investment happen, in this impactful way, without The Facility’s involvement?”¹² Additionality, causality and the theory of change are tightly linked.

Financial additionality is a particularly important aspect: The capital provided should not be available from commercial investors or the capital should mobilise private capital that would otherwise not have been invested.

The approach to additionality is based on the methods used by Impact Fund Denmark as described in “IFDK’s Financial Additionality Approach” from 2025. This in turn is based on the Growth Diagnostics framework¹³ and in line with guidance on blended finance from the OECD DAC¹⁴.

Additionality will be assessed ex-ante at two levels:

- Country level (including sector)
- Deal level

The country level additionality is assessed based on domestic finance, international finance, appropriability of returns, and productivity.

For deal-level additionality, one of the following four conditions must be true:

- Capital is not sufficiently available, *indicates that the investee could not secure funding from other sources.*
- Low return to private sector activity, *indicates high perceived risk or poor investment climate discouraging private capital.*
- General market conditions are unfavourable, *indicates broader market or macroeconomic barriers.*
- Engagement is leading to mobilisation, *indicates that IFDK’s participation is critical to attracting other investors, especially private capital.*

In practice, actual procedures may differ, since this fund is different and smaller.

3.4 Synergies with other instruments

The purpose of the instrument is to support companies in EMDEs, using Danish companies’ commercial activities as a lever for sustainable, scalable results. In that respect, the instrument should also increase Danish companies’ interest in EMDEs and thus work in synergy with the facilities that are available for Danish companies in general, and for internationalisation in particular.

In practice, the IFDK must proactively seek to establish links and structured collaboration with other like-minded providers of commercial partnership acceleration.

Locally in EMDEs, Danish support to business growth and private sector development, as well as facilities which support Danish companies’, are particularly important. IFDK’s own activities related to investment are key.

Globally, the other business instruments funded by the Danish MFA provide grant-based support which complement this fund.

For financing through Danish companies, EIFO’s lending and guarantees should be taken into account. These loans may be used to fund subsidiaries, in which case it is important to avoid overlap and ensure

¹² The approach to additionality follows the principles laid out in “IFDK’s Financial Additionality Approach” from 2025. As for the practical application, a simpler method should be developed due to the small size of the facility.

¹³ Rodrik D, Hausmann R, Velasco A. Growth Diagnostics. 2005.

¹⁴ [OECD DAC Blended Finance Guidance 2025 \(EN\)](#)

that financing through the Impact Accelerator remains additional.¹⁵ Nonetheless, EIFO does not track the country of use for its loans, but the fraction used in EMDEs – and thus the risk of overlap - is assessed to be small.

4 Results framework

The detailed results framework is in Annex 2.

Project	Impact Accelerator
Project Objective	To support sustainable and inclusive economic growth and decent employment in EMDEs through strengthened long-term commercial engagement with Danish companies.

Outcome 1		Supported companies expand sustainably and generate inclusive growth in EMDEs (EMDE SMEs, Danish companies operating in EMDEs, joint ventures)	
Outcome indicator 1.1		Number of direct and indirect employees (FTEs) supported in EMDE operations	
Baseline	Year	2026	0
Target	Year	2033	Tbd by IFDK before signature.
Outcome indicator 1.2		Percentage increase in value added	
Baseline	Year	2026	At investment start (company-specific baseline)
Target	Year	2033	Tbd by IFDK before signature.
Outcome indicator 1.3		Tonnes CO ₂ e avoided in EMDE operations	
Baseline	Year	2026	0
Target	Year	2033	Tbd by IFDK before signature.
Outcome indicator 1.4		Volume of water used for the company's operations	
Baseline	Year	Baseline	Year
Target	Year	Target	Year
Outcome indicator 1.5		Amount of waste reduced through programs for substitution, recycling or recovery	
Baseline	Year	Baseline	Year
Target	Year	Target	Year
Outcome 2		Commercial partnerships between Danish and EMDE companies generate long-term economic integration and technology transfer	
Outcome indicator 2.1		Number of supported companies in EMDEs that adopt at least one new technology, international production standard, or ESG policy/system introduced through Danish commercial engagement.	
Baseline	Year	2026	0
Target	Year	2029	10
Outcome indicator 2.2		Total value of private capital mobilised (co-investors, follow-on finance)	
Baseline	Year	2026	0
Target	Year	2033	150m
Outcome indicator 2.3		DK partners report that they will continue investments and trade with DK after project support (2033 onwards)	
Baseline	Year	2026	N/A
Target	Year	2029-33 (at exit)	50%
Outcome indicator 2.4		Percentage of surveyed key business member organisations and other stakeholders with moderate or high awareness of the facility	
Baseline	Year	2026	0

¹⁵ The preparations for the design of the Facility found examples of EIFO loans used for activities in EMDEs

5 Summary project description

5.1 Summary of the instrument

The purpose of The Facility is to catalyse Danish engagement with EMDE companies which then leads to business growth. Investments will require proactive sourcing and pre-investment pipeline building. In addition, post-investment activities should increase business growth and market spill-over learnings. Overall, the Facility should not only extend financing but also support a wider ecosystem of partnership building.

The present document describes the initial setup of the Facility. It is envisaged, however, that other initiatives and grants with a similar ambition to catalyse Danish business involvement in EMDEs will be able to make use of the Facility. Funds may be channelled from e.g. bilateral development programmes, allowing for specific country-level synergies with economic diplomacy/Trade Council and other development cooperation activities.

The Facility will catalyse Danish engagements in two interlinked ways:

- 1) By providing growth capital for companies with Danish ties, such as Danish subsidiaries, local companies exporting to Denmark or off-takers of Danish technology and products
- 2) By promoting partnership and collaboration between local and Danish companies

The core activity is to provide growth capital to companies in EMDEs. IFDK has strong and established procedures for extending financing for impact to companies in EMDE's, which will be drawn upon here.

Financing will only be extended to business growth with positive societal or environmental effects, particularly supporting decent jobs, but also for example renewable energy expansion or products and services targeted the poorest segments of the population.

In addition, a key criterion for success is that an investment strengthens the commercial engagement with Denmark. For example, this may take the form of concrete value-chain linkages or a business partnership with a Danish company, such as a Danish buyer sourcing from the investee or a Danish technology provider supplying equipment. Specific results are defined in the results framework. Investment criteria are described in the section on eligibility.

The investment process will differ from standard IFDK processes. The additional focus on synergies with Denmark, as well as the smaller ticket sizes means that staff engagement and thus costs are proportionally higher than standard IFDK investments. The investment process should reflect this.

IFDK is expected to carry out the activities needed to ensure impactful investments with links to Denmark. These will include:

- Sourcing and pipeline development: Actively identifying potential investees (local companies) and (potential for) relevant commercial links to Danish companies.
- Due diligence and investment implementation: Assessment of investment prospects, identification challenges/deficiencies and plans to solve for these.
- Monitoring: Oversee and support activities at investee level during the investment period.
- Liquidation and repatriation: Ensuring the investment is exited or liquidated and that capital is returned to the Facility

In addition to providing capital, IFDK will promote commercial partnerships between Danish companies and companies in EMDEs. This will include liaison with Danish trade councils and innovations centres,

who are supporting Danish companies entering and engaging with counterparts in EMDE and supporting local SMEs in identifying Danish solutions or off-takers.

Beyond the specific deal, the Facility prioritises investments that can transform markets. To achieve these wider market effects, the Facility actively publicises successful business stories and models to create demonstration effects that encourage replication. For instance, showcasing how Danish processing technology increases value-add in the local agricultural sector can legitimize new technologies for the broader market. Ultimately, the goal is to crowd in capital, create business growth and strengthen engagements with Denmark. By de-risking first-movers the Facility aims to inspire others to do business with Denmark, and crowd-in commercial banks, local funds, or larger DFIs for follow-on investment.

5.2 Target countries

All DAC countries are eligible for financing by the Facility. However, the Facility will focus on countries where:

- Impact Fund Denmark has a local present or long investment track record
- There is a Danish representation
- There are existing strong commercial ties to Denmark
- There is a high demand from Danish business to finance local activities (e.g. Danish business expanding to country)

5.2.1 Target sectors

Experience from the Africa Facility shows that the requirement of a commercial link with Denmark significantly reduces the potential investees. For that reason, the Facility will be open to all sectors in principle.

That said, the active sourcing of investees and choice of country focus will be guided by the following sector considerations:

- Target sectors of Impact Fund Denmark: Green infrastructure, food and agriculture, health, financial services, technology.¹⁶
- Sector division in trade council (sector advisory teams).

5.3 Support modalities

The key support modalities are equity, loans and TA to private companies in EMDEs as well as partnership support to their DK company partners.

The investment product will be adjusted depending on the market, the connection to Denmark and the investee. The starting point, however, is a performance-based loan or equity investment.

For loans, targeted characteristics are:

- Grace period adjusted to the investment prospect, up to 1½ years.
- Tenor up to 5 years, but longer is possible. Amortising repayment.
- Interest rate determined by IFDK's interest rate matrix and risk rating tool. Include an option to deviate from the standard interest rate by excluding different risk elements, as country risk. Conform to EU State Aid reference rates for Market Economic Operators.¹⁷

¹⁶ The Africa Facility is sector agnostic,

¹⁷ [Commission notice on current reference rates, PUB/2024/310](#)

- Performance-based upside: IFDK will get a market-based interest rate or higher if targets are met, including targets on turnover and profits in the 1 or 2 years of the loan.
- Low or no collateral requirements.
- The loan can be in local currency when preferred by the local company.

The market-based interest rate will be based on IFDKs risk rating tool and interest rate matrix. The rating tool and matrix incorporates key risk factors and meets industry standards.

For equity investments, targeted characteristics are:

- Holding period of 5 years, but can be longer
- Plan for exit of the Facility and potentially re-investment by other IFDK products
- IFDK appointed board member or board observer

5.4 Selection criteria for investees and projects

The selection criteria ensure relevance and additionality of the instrument in local markets, as well as for companies in Denmark.

Experience from previous similar facilities show that pipeline is a core challenge. For that reason, the selection criteria are divided into “Core eligibility criteria” and “Additional selection criteria”, the latter used only if the pipeline is strong.

5.4.1 Core eligibility criteria

In order to be eligible for finance, the investment project must:

- Contribute to positive environmental or social impact.
- Include a potential or existing economic engagement with Denmark. Following the Africa Facility, this includes investees with export, import or investments from Denmark. Other Danish links could also qualify, for example suppliers to Danish joint ventures.¹⁸
- Not involve activities listed in the Impact Fund Denmark Exclusion List,¹⁹ including forced labour, weapons, alcohol, but also export based on long-haul flights, non-green meat and dairy production etc.
- Take place in an emerging market or developing economy.
- Turnover of at least EUR 100,000. Can absorb an investment loan between the range of EUR 100,000 to EUR 3 million. In exceptional cases, the Facility may invest in greenfield operations where there are no turnover or profits.
- As a point of departure, the company must be an SME or a small mid-cap, following EU definition.²⁰

5.4.2 Additional selection criteria

In addition, the following criteria will be used in selecting projects:

¹⁸ The Africa Facility also invests in Danish companies and Danish foundation with activities in Africa.

¹⁹ <https://impactfund.dk/wp-content/uploads/2025/08/22/exclusion-list-revised-with-ifdk-2025.pdf>

²⁰ EU’s SME and small mid-cap definitions are used. An SME is a company which satisfy the following two criteria (a and b): a) less than 250 full time staff and b) annual turnover less than EUR 50 million or a total balance sheet less than 43 million (EU 2020, *User guide to the SME Definition*, doi:10.2873/255862). Small mid-caps have below 750 staff and EUR 150 million in turnover (EU 2025, *Small Mid-Caps*, doi:10.2873/4668568). If assessed relevant, local definitions may be used instead.

- Strength of the impact thesis. Impact may be direct, indirect or induced. The potential of system effects is particularly important, for example demonstration and spill-over effects from taking risks in new markets. See the Theory of Change for further guidance.
- Commercial viability. Projects should convincingly demonstrate economic viability through one of two pathways: The potential for a follow-on investment within 2-4 years, as demonstrated through an investor analysis or a specific interest from an investor or lender, or income sufficient to repay the performance-based loan at the minimum interest rate given the risk model (see the section on support modalities).
- Investment size. The core criterium is investment readiness above EUR 100,000. The preferred ticket size is EUR 500,000 to EUR 2 million, average EUR 1 million. As a standard, the instrument will include the possibility of a follow-on investment of similar size. In exceptional cases, tickets can range from EUR 50,000 to EUR 5 million.
- Turnover and profits. The target is companies with existing revenue and profits. IFDK turnover requirement is EUR 5 million. For that reason, target turnover is EUR 2 million, with minimum turnover is EUR 100,000.

5.5 Sourcing

With the introduction of the Africa Facility, IFDK obtained financing with an emphasis on Danish companies and interest. Special emphasis was given to proactive sourcing. The Africa Facility comes with specific efforts to identify and mobilise a relevant pipeline. Like with the Africa Facility, funding will be allocated towards TA, sourcing activities, stakeholder engagements, and promotional activities and communications. IFDK have therefore increased its focus on sourcing investment opportunities from Danish companies or with a clear Danish interest. The approach has been and will continue to be proactive.

IFDK sources deals and builds its pipeline utilising

- Local presence across five regional offices
- A strong network among fund managers, M&A advisors and likeminded investors
- Participation in relevant industry and sector specific event and conference
- A continuously improving brand, as a strong financial partner

Key activities to build pipeline have been strong engagement of the Danish business community, including collaboration with Danish business associations, and hosting of events for Danish companies and capital owners. In February, IFDK together with EIFO hosted the Global South Growth Summit. An event with more than 200 participants including many Danish companies.

Events and engagement with Danish business associations and Danish companies increases knowledge of IFDK's offering to Danish companies and provides pipeline. Already, IFDK have a pipeline of Danish companies seeking funding.

Other relevant sourcing channels are

- Danish Embassies, including Economic Diplomacy Sections (previously Trade Councils).
- MFA's new One Stop Shop
- Events hosted by Danish Business Membership Organisations
- EIFO
- Referrals from existing investments and contacts in business communities

5.6 Roles and responsibilities

The division of responsibility is the following:

- The MFA oversees the grant to IFDK, structured as a capital injection.
- IFDK ensures that the Facility is running, preparing materials for the investment committee, overseeing investments etc.
- The Investment Committee decides on investments and grants.
- Other financial institutions, including banks and other DFIs provide pipeline and guidance on their own thresholds and criteria.
- Investment professionals support the actual investments.

6 Crosscutting concerns and requirements

The Facility will base its work with cross-cutting issues the standards used by the sector, in particular DFIs and Impact Fund Denmark. Central standards are the IFC Performance Standards, OECD Guidelines, UNGPs, the Operating Principles for Impact Management, Paris alignment commitments, and the 2X Challenge for gender. Pragmatism will be a steering principle in order to balance accountability for impact with the administrative burden at the level of the Facility as well as the companies. Cross cutting aspects will be implemented in two ways: Through the choice of investees and through working with investees on these aspects. The latter will contribute to making investees more investable from other impact funds and DFIs.

An **overall ESG framework** will serve as a baseline requirement for environmental and social management, labour standards, community impacts, and governance as defined by IFC Performance Standards and OECD/UNGP expectations. Higher-risk investees must agree to targeted, time-bound action plans. Annual ESG reporting and incident notification follow standard DFI/Impact Fund Denmark procedures. All partners must comply with know your customer, anti-money laundering, and anti-corruption requirements consistent with DFI norms. All partners must also ensure that any activity is in full compliance with United Nations (UN) Security Council Sanctions [and] European Union (EU) Restrictive Measures. Moreover, consistent with UN Security Council Resolutions relating to terrorism, including but not limited to, UNSC Resolution 1373 (2001), 1267 (1999), 2462 (2019), and EU autonomous measures to combat terrorism, all partner must be firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. Contracting, monitoring, and portfolio management integrate these standards as part of normal operational due diligence.

With regard to **gender**, the Facility will subscribe to the 2X framework.²¹ All investments are screened against the 2X criteria. Preference thus is given to companies and fund managers demonstrating gender-balanced leadership, active promotion of women in the workforce, or products/services with direct benefits for women. Selected investees will be supported in developing simple gender action plans - consistent with the gender-smart engagement model used by Impact Fund Denmark.

Climate is another key priority. The foundation will be IFC's Performance Standards, in particular PS1, and thus the identification and management of climate risk. In addition, investments will be aligned with Paris-alignment principles and opportunities with adaptation or mitigation potential will be prioritised.

²¹ 2X Collaborative and the GenderSmart Initiative, now 2X Global <https://www.2xglobal.org/>

7 Budget and revolving fund

7.1 Budget

The budget for the Facility is shown below. The Facility is a pilot in the sense that it tests a number of new mechanisms for synergies between Danish businesses and EMDE companies. A review will take place in 2028. If progress is satisfactory, the Facility should be provided with additional budgets to keep a high level of investments for a longer period of time. If the Facility has not performed, investments will be reduced and the secretariat needs less staffing. See also the Funds multi-year budget in the next section.

Table 1: Budget

YEAR/(DKK million) – Capital contribution	2026	2027	2028	2029	2030-2033	Total
Investment capital (approx. 20 inv. over 2 years)	10.00	40.00	50.00			100.00
Technical assistance and implementation	4.50	8.10	8.40	7.0	11.0	39.00
Subtotals	14.50	48.10	58.40	7.0	12.0	139.00
Administration	2.00	2.00	2.00	1.00	3.00	10.00
Reviews		0.50	0.5			1.00
Total costs	16.50	50.10	60.40	8.00	15.00	150.00

The budget is based on the following assumptions:

- The team will be up and running in mid-2026
- It is foreseen that one team will implement both E3 and E5, thus increasing efficiency. There will be a full team in 2027 to 2029, which will gradually decrease after all capital has been invested. If the outcomes/recommendations of the review in 2028 results in an investment top up, the team will continue in full size after 2029. The Facility runs until 2033

Annual administration and implementation cost are assumed to cover:

- Head of Team shared with E5
- Team of 2-3 investment managers tasked with sourcing, assessing and investing as well as managing the portfolio
- 1 FTE in IFDK's Sustainability and Impact team tasked with assessing projects ESG and development effects and managing TA (shared with E5)
- 1 FTE in IFDK's Legal team to support the legal assessment of the investments (shared with E5)
- Travel expenses
- Overhead to draw on other resource across IFDK including HR, regional employees in the other investment teams and general administrative

7.2 Revolving nature of the Facility

The Facility will be revolving to the extent that repaid loans and interest income may be used to finance new businesses, provide follow-on financing, or contribute to covering non-investment costs. However, the revolving capacity will be limited due to expected credit losses and operating costs.

Due to its high-risk appetite, low ticket sizes and pro-active partnership strategy, the Facility is not self-financing and cannot sustain its initial activity level without additional capital.

Once the full DKK 100 million has been committed and materially deployed, a review (expected in 2028) will assess portfolio performance, development impact, and the future capital needs of the Facility, including the potential need for a top-up to maintain activity levels.

The small ticket sizes and high-risk profile of the investments, means that it is to be expected that up to half of the investments will default and not be able to return the invested capital.

The successful half of the investments will likely return between 1.3 to 1.7 of the invested capital assuming an average tenor of 5 to 7 years and average turn of 6% to 8%.

Out of DKK 100 million invested, the facility is expected get less than DKK ~50 million back over a period of 5 to 7 years. The returning capital will be re-invested by the Facility, acknowledging that there will decreasing capital available for re-lending once the initial DKK 100 million has been fully invested. In that case, the team implementing the facility will be reduced accordingly. In addition, further losses will be expected on the reinvested capital and parts of it will have to be used for the staff implementing the facility. The Facility's design therefore implies a decreasing activity profile unless replenished with new capital. IFDK and MFA will decide if the facility should be replenished or scaled down. This is to be informed by a review.

8 Management arrangements

8.1 Governance

The Facility will be governed in a way that enable it to make professional investment and granting decisions, while ensuring proper oversight.²²

A separate Investment Committee will decide on individual investments and grants. The investment committee must have strong competencies on

- Impact creation in EMDE's particularly Least Developed and Low-income countries.
- Investment and market creation in weak markets.
- Concessional tools to build pipeline.

The Investment Committee will be proposed by IFDK and approved by the existing IFDK Management. Only in exceptional cases will investments or investments in principle be presented to the board, for example when proposed investments or grants fall clearly outside the mandate of the Facility.

In addition to the dedicated investment committee, the Facility will be integrated in the overall MFA/IFDK management arrangements. Specifically, status on the Facility will be provided in the quarterly meetings between KLIMA management and IFDK.

Table 2 below provides a brief overview of management arrangements.

Table 2: A structured dialogue between IFDK and MFA

Coordination Forum	Frequency
Meeting the Minister	Yearly
Presentation to the Council for Development Policy	Yearly

²² The management arrangements described in this section should be coordinated with the management arrangements of the other Danish Business Instruments, in particular the Impact Investor Partnership.

Coordination meetings - IFDK Chairmanship and MFA State Secretary	Bi-annually
Coordination meetings between IFDK management and KLIMA management	Quarterly
IFDK Board meeting with representative from KLIMA as observer	Quarterly
MFA representative in Investment committee (Guarantees and DSIF)	Ad-hoc basis
Day-to-day coordination	Ad-hoc basis

It is further proposed that an advisory board is set up to support the implementation of the Facility and advise on its ongoing operations. The advisory board should consist of members from

- The Ministry of Foreign Affairs
- Danish Business Associations
- Two business organisations from key markets, e.g. an LDC and a middle-income country
- EIFO
-

8.2 Implementation unit

A unit at IFDK will be the main entity responsible for the actual implementation and management of the Facility. The unit will be supported by staff and resources at IFDK in general, for example legal, HR, IT, ESG etc.

The core responsibilities of the unit will be:

- Assessment of and knowledge of SME capital markets in target countries, with a view of ensuring that possible follow-on investments are considered from the outset. The unit must maintain a strong network among DFIs, SME financiers and knowledge partners.
- Sourcing and screening of potential investees. Preparation of investment cases and impact strengthening activities.
- Contractual management and oversight of local finance partners, including fund managers.
- Financial management.
- Reporting, including impact, PSI reporting to OECD-DAC etc.
- Stakeholder management in Denmark.

For these tasks, the relevant competences include:

- Market building and creation with specific focus on the weakest markets.
- Investment management.
- Knowledge of the investment landscape in EMDE.
- Impact measurement and reporting.
- Compliance and contract management.
- Financial management.

8.3 Results monitoring, reviews and reporting

The Facility is highly experimental and thus learning and adaptation is crucial. **An Inception Review will take place in 2027 Q2** together with the planned Mid-term Review of the Africa Facility. Focus will be on successful establishment of the secretariat, procedures for running the Facility and the initial work regarding implementation.

Overall responsibility for reporting is with the IFDK management. In practice, the secretariat will prepare data and reports, supported by IFDK sustainability functions.

Reporting is done through IFDK's Annual Report, which will report on the financial performance of the Facility as well as specific impacts created by the Facility. The reporting may be in an annex to the report.

In practice, the monitoring framework should allow Investment managers to carry out monitoring.

It is very important that the monitoring is done in a way that does not give investees disproportionate administrative burdens.

In addition to ongoing monitoring and reviews, an independent evaluation will be conducted mid-term or at the end of the Facility period to assess the Facility's relevance, effectiveness, additionality, and contribution to sustainable economic development in EMDEs. The evaluation may also examine lessons learned regarding the use of concessional capital to strengthen commercial partnerships between Danish companies and firms operating in EMDEs.

The timing and scope of such an evaluation will be determined based on progress and portfolio development.

8.4 Additional grants or donors

The Facility starts with the mandate as defined by the present document. Scaling of activities will happen by allowing additional grants from the MFA or other donors, for example the EU. In that context, additional funds can be provided through the MFA's top up mechanism. Due to IFDK's experience in the area, increasing the mechanism's current ceiling of 100% top up may be relevant. For that purpose, the Facility must be ready to engage donors to design specific windows based on the core setup.

A specific example of an additional grant to the Facility is a window funded by a Bilateral Country Programme. In the case, the country programme objective will guide the selection of companies, just as the Secretariat will need to interact with the Embassy and its partners.

Depending on the nature of the grant, the investment committee can remain the same or can be adjusted to fit new mandates.

8.5 Fraud, anti-corruption and ethical behaviour

IFDK has a solid anti-corruption policy and a newly established Business Integrity function to operationalise its policies in its investments. IFDK has passed and been approved by the EU's Pillar Assessment consisting of a comprehensive analysis of the business procedures, purchase and control procedures and financial instruments. Anti-corruption is a standard aspect of the Clearance in Principle (CIP) format. Upon suspicion or awareness of specific cases of corruption involving staff members and/or implementing partners in programmes and projects, IFDK is obliged to notify MFA in accordance with MFA's Anti-Corruption Policy ("Zero tolerance"). No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted – neither directly nor indirectly – as an inducement or reward in relation to activities funded under this agreement, including tendering, award or execution of contracts.

IFDK and investees that receive MFA grants, either directly or indirectly, must comply with local laws and applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organisation Conventions. Additionally, all participating partners must possess an approved ethical code that includes stipulations against sexual abuse, among other concerns. IFDK will ensure that funds are spent in accordance with IFDK policies including its procurement policies.

9 Financial management

The administration, reporting and auditing of the appropriation will follow the MFA's AMG and FMG. The MFA contribution to the Facility will be a capital contribution. Financial reporting follows IFDK's overall financial reporting to the Ministry of Foreign Affairs, reflecting the use of the Facility. The capital contribution will be audited as part of the overall audit of IFDK accounts. IFDK will invest the capital contribution in accordance with its investment mandate and procedures.

Reflow of funds from the investments and interests accrued from programme funds will be reinvested into the Facility, with due consideration given to future monitoring of such investments (see budget).

Based on recommendation from the IFDK Board of Directors, the Minister appoints an audit company with international experience, which audits the annual account in accordance with Danish and international audit standards in agreement with the Auditor General (*Rigsrevisionen*). The audited accounts are due to the MFA at the latest 6 month after a financial year has ended. The budget for technical assistance, promotion and communication as well as administration must be reflected in the Annual Progress Report. This must among other include an overview of spending as well as projections for the upcoming year for each budget line.

Beyond the regular oversight mechanisms, MFA carries out on a regular basis financial monitoring visits (*tilsynsbesøg*) to go through and assess systems and procedures established.

9.1 Disbursements

MFA will disburse to IFDK annually based on a) audited financial accounts from the preceding year b) disbursement, pipeline and liquidity need projections for the coming year and c) if relevant, guidance from the strategic dialogue meetings between MFA and Impact Fund Denmark. In accordance with MFA's standard approach to disbursing grants, MFA will ensure that new capital is disbursed to cover actual liquidity needs and that liquidity does not accumulate in the organisation. This includes both investment capital and funds for technical assistance, promotion and communication as well as administration.

10 Risk management

The major **contextual risks** are potential adverse outcomes that may arise in a particular context.²³ Relevant political risks are unrest, wars and deterioration of regulatory situation. Currency risks are also at the contextual level and are assessed as high. Several fund managers report currency fluctuations as the number one reason for the overall performance of their investments.

Programmatic risks are adverse outcome directly at the programme level. The nature of the programme is such that it managed investments in several countries. It will thus be a risk that local contextual issues are not managed effectively, including legal issues, capital repatriation issues and general regulatory questions. This risk is mitigated through partnerships with other investors and bank. An additional programmatic risk is lack of re-financing and exits, i.e. that no other investors will refinance the loans or buy off the investments from the Facility. To mitigate this, time horizons will be such that loans can be repaid through repayment from dividend.

²³ DK MFA, Risk Categories and Risk Parameters, <https://amg.um.dk/tools/guidelines-for-risk-management> The document is inspirational, a simplified framework is used here.

Finally, **institutional risks** are primarily the risk that this relatively minor fund will not get the required organisational and management attention from IFDK, which then will lead to poor performance and delays in the setup and execution. Mobilisation of additional funding is a key response to this risk.

Risk	Likelihood Almost certain, likely, unlikely, rare.	Impact Significant, major, minor, insignificant	Response	Residual risk
Contextual: Currency fluctuations negatively affect investment performance.	Likely	Major	Loans are issued in local currency to protect the borrower, with a risk premium applied to the interest rate model to cover fund losses.	Major
Contextual: Political instability (unrest, wars) or deterioration of regulatory situation.	Likely	Significant	Diversification of the portfolio across multiple countries; Country selection criteria include stability and business climate assessments.	Major
Programmatic: High default rate and loss of invested capital due to early-stage nature of projects and limited track record of investees	Likely	Major	Diversification of the portfolio across multiple investments, TA to support companies in the start-up phase, program design to accept losses and is not expected to be financial sustainable	Major
Programmatic: Ineffective management of local legal issues, capital repatriation, and regulations.	Likely	Major	Mitigated through partnerships: Collaborating with other investors and banks; contracting local investment managers for compliance and execution.	Minor
Programmatic: Lack of re-financing or exit options (inability to sell off the investment).	Likely	Major	Time horizon adjustment: Structuring loans so they can be fully repaid through dividends/cash flow rather than relying on an external buyer/exit.	Minor
Institutional: Implementation errors due to the innovative nature of the setup and new team.	Likely	Minor	Iteration: Adopting an approach of experimentation and continuous adjustment to match the Facility's needs.	Minor
Institutional: IFDK organizational priorities are not aligned with the Facility leading to lack of attention and progress.	Likely	Major	Mobilisation of additional resources will enable a strong team and more attention from IFDK management.	Minor

11 Exit and sustainability

Sustainability considerations are relevant at several levels. At the level of **the investees**, sustainability is ensured by investing with the end in mind: Knowledge of who could provide follow-on investment or financing as well as a focus on viable businesses with turnover and a path to profits.

With regard to the **investment managers**, they are primarily service providers. Regardless, it will be important to continuously assess the pricing of their services. If they provide good value for money, they will stand a better chance of attracting future investors. Finally, at the level of **the Facility and**

secretariat, sustainability depends on two main factors: First, that investments are made in such a way that the funds are returned and can be reinvested. The purpose is not for the Facility to make a profit, but recycled funds will contribute to sustainability regardless. Second, that the structure is set up and managed in such a way that it remains open to other donors and stakeholders.

ANNEX 1. Partner Assessment

Name of Partner	Core business What is the main business, interest and goal of the partner?	Importance How important is the programme for the partner's activity-level (Low, medium high)?	Influence How much influence does the partner have over the programme (low, medium, high)?	Contribution What will be the partner's main contribution?	Capacity What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy What is the strategy for exiting the partnership?
IFDK	Impact investment Climate investment	Low to medium Relatively small funds, but strategically important Overall management of the Facility	High through hosting of secretariat and influence over funds. Same influence in other Funds and Facilities.	Define procedures for the Facility. Management the capital workstream and the partnership workstream. Enable Danish companies to drive processes significantly contributing to social and economic development in EMDE countries.	While IFDK's reform and recent capitalisation processes are increasing the demands on the organisation, the Facility is proportionately much smaller and can be managed within existing systems. However, IFDK will need to more proactively engage with a) markets and b) the Danish business community and other complementary investment promotion and support initiatives.	Exit strategy in place for companies. Sustainability depends on additional fundraising i.e top-up. IFDK will remain under ownership of the Danish government.

Summary of Partner Capacity Assessment

Significant stakeholder consultations and analyses have been conducted to assess if other organisations could take responsibility of the Facility. This was to ensure that the Facility was managed in a professional manner. The organisations considered included, amongst others, State of Green and NEFCO. IFDK was chosen for the following reasons:

- Experience with investments in EMDEs
- Presence in Denmark

- Strong procedures and frameworks for monitoring impact.
- Close relationship with other actors.

The planned commitment will scale operations, but only to a minor extent, affecting IFDK’s current governance procedures and business activities.

Complementary information about IFDK is provided below, based on the partner assessment carried out in 2023:

- IFDK – an overview
- Thematic sectors
- Framework for identifying, screening and selecting high-impact investments
- IFDK Policies and Standards

IFDK overview

Since its establishment in 1967, IFDK (previously IFU) has invested in 1,325 companies across more than 100 countries in Africa, Asia, Latin America, and Europe. The total committed investments amount to DKK 235 billion, of which IFDK has contributed DKK 26 billion. IFDK is an independent government-owned fund that offers risk capital to companies in developing countries and emerging markets. Additionally, IFDK manages several other investment funds, including the Danish SDG Investment Fund. IFDK’s investments have contributed to creating and preserving close to one million jobs in host countries and establishing over 2,000 megawatts of renewable energy. Furthermore, IFDK’s presence has facilitated knowledge and technology transfer, provided employee training, accelerated economic activity, and generated income sources, such as taxes, for host countries.

All IFDK investments must support the green transition and contribute to poverty alleviation and reduced inequality. Additionally, IFDK emphasises the importance of corporate social responsibility within project companies to ensure that employees receive proper working conditions, and that production is socially and environmentally sustainable. IFDK provides risk capital and advice to companies seeking to engage in commercial investment activities in developing countries. With strong experience in investments in developing countries, including low-income nations, IFDK possesses the necessary capacity and networks to create and implement new instruments. The table below presents IFDK investment results from 2017 onwards:

Table: IFDK investment activity 2017-2023

DKK million	2017	2018	2019	2020	2021	2022	2023	2024	2025
Private Sector Investments	1.308	1.476	1.165	1.966	1.005	1.466	1.342	1.684	2.385
Public infrastructure Finance (PI) – loans & grants	124	1.426	75	1.667	8	294	192	126	1792
Development guarantees (DG)								736	914
Total capital under management	9.100	11.400	11.200	12.800	12.600	15.600	15.544	18.100	24.000*

**Initial estimate prior to finalisation of annual accounts.*

Thematic sectors

Green energy and infrastructure. Green energy and infrastructure are crucial for sustainable development. The lack of energy access poses a significant challenge in Africa, where 600 million people lack access to energy. To support sustainable development in line with the Paris Agreement, IFDK prioritises investments in increasing access to clean and affordable renewable energy, ranging from large-scale utility projects to residential solar systems and off-grid solutions. This approach indirectly encourages job creation and business growth and helps mitigate climate change. Water scarcity is prevalent, and clean drinking water is often inaccessible in developing countries. IFDK invests in business models and companies focusing on water and water management to enhance sustainable supply and access to water. IFDK also prioritises waste recycling and management to address urban challenges such as sanitation, congestion, and rising air pollution. It also promotes circular business models that support the green transition and create new local jobs. Across all areas, IFDK emphasises energy efficiency as the most cost-effective method of decarbonising the future economy.

Financial services. Globally, 1.7 billion people are unbanked. Furthermore, small and medium enterprises (SMEs) in developing markets often struggle to access finance to grow their businesses. SMEs are the growth engines in African economies and are essential for employment. They provide billions of people with livelihoods and are critical to achieving the SDGs and climate goals. IFDK aims to increase financial inclusion by investing in financial services, driving economic growth and job creation, and reducing inequality. The goal is to collaborate with financial institutions to enhance their contribution to the green transition and to promote the increased adoption of digital technologies that boost resilience and outreach simultaneously. Microfinance offers people access to finance through small loans for livelihood enhancement activities, particularly in rural areas. This improves their living conditions and provides access to savings that strengthen resilience. Most microfinance clients are women who gain empowerment through access to finance. Providing financial support to banks and other financial institutions that serve SMEs is also a priority. This enables more small companies and entrepreneurs to access financial services that facilitate business growth and, in many cases, adopt greener practices. As an equity investor, IFDK's investments assist financial institutions in mobilising private capital from the market, thereby multiplying IFDK's impact. IFDK has also begun offering green loans to financial institutions to promote energy efficiency, solar energy, and more.

Sustainable food systems. Approximately 800 million people globally do not have enough food to live a healthy, active life. One in five people in Africa faces hunger due to climate change, conflicts, and economic downturns. With a growing population, food waste must be reduced, and food production needs to increase. The latter will further contribute to global warming, as 30 per cent of global GHG emissions stem from agriculture and food processing. Consequently, a priority for IFDK is to invest in climate-smart farming that can enhance access to healthy and affordable food products with high nutritional value. All investments focus strongly on supporting cultivation and production methods that reduce GHG emissions and increase yields. As developing countries are the most vulnerable and least prepared for climate change, IFDK also emphasises adaptation, including drought-resistant crops and improved irrigation. Smallholder farmers typically are the primary food producers in Africa. However, output per hectare is low, and these farmers often lack access to value-added processing and distribution systems, leading to low-income levels. Therefore, IFDK prioritises investments that enhance living conditions by supporting fair trade and increased productivity. Annually, one-third of all global food production is wasted. In developing countries, most waste arises from inadequate and insufficient storage and distribution systems. A key priority for IFDK is to invest in food waste management, as this will alleviate pressure on land resources and reduce GHG emissions, for instance.

Healthcare. Poor health and health inequality continue to limit economic prosperity in developing countries and emerging markets. Around 400 million people lack access to vital healthcare services, which results in high mortality rates, lost productivity and poverty. This is especially the case in developing countries in Africa and South Asia. Healthcare services are often out-of-pocket expenses that have a significant negative impact on accessibility and lead to increased poverty for low-income groups. Against this backdrop, IFDK invests in healthcare to improve access to affordable and high-quality healthcare services, especially for middle and low-income people. Consequently, the focus is on business models supported by universal healthcare programmes or insurance schemes. Noncommunicable diseases like diabetes and cancer are becoming more common in developing countries. However, treatment options are insufficient, and therefore, IFDK, besides investing in primary healthcare and hospitals, also has attention to services targeting chronic and non-communicable diseases. Moreover, IFDK invests in diagnostic technologies and pharmaceutical companies to improve prevention and treatment and provide better access to medicine. One of the impact priorities when investing in private healthcare is to ensure that it complements public healthcare strategies. This can be achieved by introducing new technologies, educating staff, and engaging in outreach activities targeting low-income groups, maternal and child health and people living in rural areas. Upgrading the healthcare system will also make it more attractive for doctors and nurses to stay at home or return from abroad, reducing brain drain.

Framework for identifying, screening and selecting high-impact investments

In addition to the theory of change and results framework, IFDK applies different tools and analysis methods to assess impact creation and ESG risks. When identified, IFDK summarises ESG issues and risks in an action plan for implementation.

IFDK’s system for selecting and maturing investment opportunities has been considerably strengthened recently. A first screening allows an initial assessment of whether the investment opportunity will contribute to IFDK’s two impact objectives sufficiently. The subsequent steps in the selection and maturation process are presented in the table below:

Table: IFDK assessment steps

Process step	E&S	Governance	Impact
To gate 1	Screening against IFDK’s exclusion list of activities IFDK will not invest in.	Initial screening to check for recorded governance issues.	Initial screening to verify contribution to at least one of IFDK’s two impact priorities and the likelihood of additionality.
To CIP	Preliminary Human Rights assessment.	CPI screening. Expanded search for recorded issues. Review of investee company or organisation’s anti-bribery and corruption (ABC) policies.	Formulation of impact hypothesis and theory of change for how the company creates impact and contributes to SDGs. Assessment of investment’s additionality.

To BC	Full Human rights due diligence. E&S due diligence. Assessment of negative impact.	Assessment of anti-corruption. Assessment of corporate governance.	Validation of impact creation hypothesis and theory of change through impact due diligence. Initial results framework. Assessment of GHG emissions. Assessment of gender policy.
To ownership	Formulation of E&S action plan (ESAP), which investee company must commit to.	Formulation of anti-corruption and corporate governance action plan (CGAP), which investee company must commit to	Formulation of impact creation plan, including results framework, which the investee company must commit to.
To exit	Execution of ESAP by company incl. reporting to IFDK - Annual reporting on E&S data through ASR.	Execution of CGAP by company including reporting to IFDK. Annual reporting on ABC and governance data through ASR.	Reporting and monitoring of impact creation according to plan and results framework. Impact study and evaluation at exit.

IFDK is continuously fine-tuning and improving the framework and tools for the selection, screening, and management of investments. IFDK has come a long way in setting up its systems and procedures. In the coming years, IFDK will further strengthen its system for evaluating projects beyond individual investee companies to better understand the development impact of the investments on the communities and societies in which they are anchored. This knowledge will contribute to documenting the results of IFDK and will be important learning that feeds into the further maturation of the system for selecting and developing new investments.

IFDK Policies and Standards

To qualify as an investment, IFDK's investee companies must subscribe to several policies. These are in addition to the commitment to executing several activities through the ESAP, CGAP, impact creation plan and results framework. The policies are outlined and described in the table below.

Table: Core IFDK policies

Policy	Description
Sustainability policy	The policy sets out IFDK's commitment to invest in good Environmental, Social and Governance (ESG) practices and support green and/or just and inclusive impact. The Sustainability Policy is the overarching policy for ESG and impact, which is supplemented by specific underlying thematic policies, including climate policy, human rights policy, Animal welfare policy, gender equity policy and corporate governance policy

Tax policy	IFDK is committed to a responsible tax practice according to the following three principles 1) Pay taxes in developing countries; 2) Use holding companies responsibly and 3) Be transparent
Anti-corruption policy	IFDK is committed to maintaining a zero-tolerance policy regarding corruption – including bribery, fraud and facilitation payments – in line with the UN Convention against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
Anti-money laundering and anti-terrorist financing	IFDK’s policy on anti-money laundering and terrorist financing contains IFDK’s identification, consideration and assessment of relevant risks related to money laundering and terrorist financing as well as IFDK’s overall approach and requirements to the procedures and controls related to money laundering and terrorist financing risks.
Sanctions screening guidelines	Ensure compliance with international sanctions regimes, mitigate reputational and financial risks and prevent engagement with entities or individuals involved in prohibited activities or on sanctions lists. These guidelines facilitate thorough identification and screening procedures and partner assessments to identify potential sanctions related risks.
Insider information policy	Safeguards against possible abuse of insider information and ensures that IFDK has a high level of credibility as an organisation where insider trading does not occur. It protects IFDK’s employees and board representatives from potential criminal liability.
Whistle-blower policy	This policy provides the requirements and channels for which potential breaches of IFDK’s policies or relevant regulation can be reported, investigated and sanctioned through a confidential and anonymous process. The policy protects both IFDK’s employees and investee company stakeholders, and it ensures a coherent and thorough investigation and processing of complaints.

Applicable international frameworks for sustainability

International principles, guidelines and standards that IFDK has signed, adopted or acceded to

IFC Performance Standards (IFC, 2012)

World Bank Group General and Sector-specific Environmental Health and Safety Guidelines

UN Guiding Principles on Business and Human Rights (UN, 2011)

ILO Declaration on Fundamental Principles and Rights at Work (ILO, 1998)

UN Principles for Responsible Investment (UN-PRI, 2005)

UN Global Compact’s 10 Principles (UNGC, 1999)

OECD Guidelines on Multinational Enterprises (OECD, 2011)

OECD Responsible Business Conduct for Institutional Investors (OECD, 2017)

OECD Due Diligence Guidance for Responsible Business Conduct (OECD, 2018)

EDFI Principles for Responsible Financing (EDFI, 2009)

Equator Principles (EPA, 2013)

G20/OECD Principles of Corporate Governance (OECD, 2015)

DFI Corporate Governance Development Framework (CGDF, 2011)

SMART Campaign Client Protection Principles

UN Food and Agriculture Organization's Principles for Responsible Investment in Agriculture and Food Systems (FAO, 2014)

2X Challenge on Gender (2X Global, 2018)

Operating Principles for Impact Management (OPIM, 2019)

OECD-UNDP Impact Standards for Financing Sustainable Development (OECD, 2021)

International conventions, declarations and agreements that IFDK's policies are based on Agenda 2030 Development

UN Sustainable Development Goals (UN 2015)

UNFCCC Paris Declaration (UN 2015)

UN Addis Ababa Action Agenda for Development Finance (UN 2015)

Human rights:

International Bill of Human Rights (IBHR) covering The Universal Declaration of Human Rights (UN, 1948), including the International Covenant on Civil and Political Rights (UN, 1966) and the International Covenant on Economic,

Social and Cultural Rights (UN, 1966)

UN Guiding Principles on Business and Human Rights (2011)

UN Declaration on the Rights of Indigenous Peoples – UNDRIP (UN, 2007)

Labour rights:

- ILO Convention 29 on Forced Labour (ILO, 1930)
- ILO Convention 105 on the Abolition of Forced Labour (ILO, 1957)
- ILO Convention 87 on Freedom of Association and Protection of the Rights to Organize (ILO, 1948)
- ILO Convention 98 on the Right to Organize and Collective Bargaining (ILO, 1949)
- ILO Convention 100 on Equal Remuneration (ILO, 1951)
- ILO Convention 111 on Discrimination (Employment and Occupation) (ILO, 1958)
- ILO Convention 138 on Minimum Age (ILO, 1973)
- ILO Convention 182 on the Worst Forms of Child Labour (ILO, 1999)

Environment and climate:

- Rio Declaration on Environment and Development (UN, 1992)
- Montreal Protocol on Substances that Deplete the Ozone Layer (UNEP, 1999)

- Stockholm Convention on Persistent Organic Pollutants (POPs) (UNEP, 2004)
- The Rotterdam Convention/PIC Convention on Certain Hazardous Chemicals in International Trade (UNEP, FAO, 2004)
- UN Convention on Biological Diversity (UNEP, 1993)
- Kyoto Protocol to the UN Framework Convention on Climate Change (UN, 1997)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (UNEP, 1992)
- CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora (UNEP, 1975)

Gender equality and sexual and reproductive health and rights:

- The Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) (UN,1979)
- CEDAW's Optional Protocol (UN, 1999)
- Beijing Declaration and Platform for Action (UN, 1995)
- Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) (2014)
- Cairo Declaration on Population and Development (UN, 1994)

Anti-Corruption:

- UN Convention Against Corruption (UN, 2010)
- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD, 1997)

Tax:

- OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (OECD, 2009)
- EU list of non-cooperative tax jurisdictions (EU, 2017)

ANNEX 2. Detailed results framework

Project	Impact Accelerator
Project Objective	Economic growth, creation of decent jobs, and development in EMDE through a strengthened economic engagement with Denmark.

Outcome 1	Supported companies expand sustainably and generate inclusive growth in EMDEs (EMDE SMEs, Danish companies operating in EMDEs, joint ventures)		
Outcome indicator 1.1	Number of direct and indirect employees (FTEs) supported in EMDE operations		
Baseline	Year	2026	0
Target	Year	2033	Tbd by IFDK before signature.
Outcome indicator 1.2	Percentage increase in value added		
Baseline	Year	2026	At investment start (company-specific baseline)
Target	Year	2033	Tbd by IFDK before signature.
Outcome indicator 1.3	Tonnes CO ₂ e avoided in EMDE operations		
Baseline	Year	2026	0
Target	Year	2033	Tbd by IFDK before signature.
Outcome indicator 1.4	Volume of water used for the company's operations		
Baseline	Year	Baseline	Year
Target	Year	Target	Year
Outcome indicator 1.5	Amount of waste reduced through programs for substitution, recycling or recovery		
Baseline	Year	Baseline	Year
Target	Year	Target	Year

Output 1	Investments into companies in EMDE with Danish links		
Output indicator 1.1	Number of investments into companies operating in EMDEs with Danish commercial interest		
Baseline	2026	0	
Target	2027	5	
Target	2028	10	
Target	2029	15	

Figures are cumulative

Outcome 2	Commercial partnerships between Danish and EMDE companies generate long-term economic integration and technology transfer		
Outcome indicator 2.1	Number of supported companies in EMDEs that adopt at least one new technology, international production standard, or ESG policy/system introduced through Danish commercial engagement		
Baseline	Year	2026	0
Target	Year	2029	10
Outcome indicator 2.2	Total value of private capital mobilised (co-investors, follow-on finance)		
Baseline	Year	2026	0
Target	Year	2029	150m
Outcome indicator 2.3	DK partners report that they will continue investments and trade with DK after project support (2033 onwards)		
Baseline	Year	2026	N/A
Target	Year	2029-33 (at exit)	50%
Outcome indicator 2.4	Percentage of surveyed key business member organisations and other stakeholders with moderate or high awareness of the facility		
Baseline	Year	2026	0
Target	Year	2029-33 (at exit)	60%

Output 2.1		Long-term agreements signed
Output indicator 2.1		Number of formal long-term agreement signed by investees. (e.g., Joint Ventures, Licensing agreements, Off-take contracts > 2 years). (new indicator)
Baseline	2026	0
Target	2027	0
Target	2028	0
Target	2029	3

Figures are cumulative

Output 2.2		The Facility has established itself as an effective vehicle for synergy between development cooperation and economic diplomacy
Output indicators		Volume of facility capital committed to eligible SMEs (DKKm, cumulative)
Baseline	2026	DKK 5m committed
Target	2027	DKK 50m committed
Target	2028	DKK 100m committed
Target	2029	TBD (depends on loan repayment)

Output 2.3		Targeted engagement with key business member organisations and stakeholders is conducted to promote the Facility and its offer
Output indicator		Number of targeted key business and stakeholder engagement activities conducted
Baseline	2026	TBD
Target	2027	TBD

ANNEX 3: Country example: Kenya

This document illustrates the stakeholder consultations and participation of future investees in the design. It will not be part of the final document.

Country Background and Investment Landscape

Kenya is classified as a lower middle-income country and stands out as one of Sub-Saharan Africa's most dynamic and diverse economies. The country's investment ecosystem consists of a mix of debt and equity financing with equity-like loans also playing a significant role. Nairobi, often referred to as "Silicon Savannah", is recognised for its innovation and fintech scene, while agriculture, services and manufacturing continue to be key drivers of economic activity.

Despite these strengths, the investment landscape is still maturing. The sector is experiencing consolidation, and few capital funds are able to generate sustainable profits, largely due to the absence of secondary markets and IPO opportunities, making exits difficult. Job creation has also not been keeping up with population growth. For example, employment growth declined from 4.4% in 2023 to 3.9% in 2024.¹

Relevant Danish Links

Danish – Kenyan commercial links are primarily built around imports of agricultural goods such as coffee, tea, cocoa and spices, with these products accounting for DKK 50.8 million in imports in 2024. On the export side, Denmark mainly supplies organic chemicals (DKK 42.8 million in 2024), pharmaceuticals and industrial equipment.² Danish companies are also present locally, in 2023 there were 26 Danish subsidiaries in Kenya, providing employment for 824 people.

Relevance to the Impact Accelerator

Although Kenya has a vibrant investment space, SMEs are still facing financing challenges, particularly a lack of risk-willing capital for mid-sized investments (between 1-5 million euros). Access to finance would help these businesses invest in growth, upgrade their operations, and purchase high quality equipment, including Danish solutions. Export-oriented Kenyan companies also highlight the difficulties in finding quality off-takers. Here the Impact Accelerator could play a role, not just with investing capital, but also in connecting Kenyan SMEs with Danish off-takers looking to build sustainable value chains or diversifying their sourcing. Expanding access to finance for these SMEs would also support job creation, productivity, and help contribute to a just and inclusive economy.

Opportunities and Potential Activities

There are several local investment funds with deep knowledge of the Kenyan market and proven ability to identify, support, and monitor SME investments. These funds present an opportunity and could play a key role in sourcing high-potential businesses and providing ongoing oversight to help ensure that investments are both impactful and well managed.

Other examples of opportunities which could be further explored:

- **Businesses:** Orana, a juice producer, looking for equity or debt to establish processing of juice pulp for mango, pineapple and passion. Cimbria, grain processing equipment supplier with around 100 private clients, several which could be investment ready. BIDCORO, another juice producer, ready to off-take mango and pineapple pulp. Mr Green, with existing investment from Bestseller. Octavia, doing Direct Air Capture carbon selling to Denmark, UNUMED, selling hospital software.

- **Investment sourcing:** Local investment funds and an Impact Fund Denmark office could support sourcing efforts.
- **Synergies:** The Danish Embassy is currently preparing a future country programme. Several components could interface with the Impact Accelerator. In addition, existing programmes with e.g. TradeMark Africa presents opportunities.

Case: Kentaste

Kentaste is East Africa's leading producer and exporter of coconut products, sourcing from over 3,000 organic certified smallholder farmers along Kenya's coast. The Company's growth has delivered steady income for farmers and promoted sustainable agriculture. However, limited access to reliable buyers remains a barrier to scaling up. With targeted support, companies like Kentaste could create greater value for local producers and help diversify supply chains for buyers, including Danish offtakers.

ANNEX 4: Country example: Bangladesh

This document illustrates the stakeholder consultations and participation of future investees in the design. It will not be part of the final document.

Country Background & Investment Climate

Bangladesh is classified as a lower-middle-income country with a growing economy mainly reliant on export of ready to wear clothing manufacturing (second largest exporter in the world). The investment climate is shaped by a dependence on bank financing, as the venture capital ecosystem is not well developed. The banking sector also faces significant challenges, including, high interest rates (around 14%), slow fund recovery and a history of large fraud cases, though this is probably limited to four government-controlled banks. Investment activity is mainly focused on the garment sector, accounting for 90% of investments, in particular those with ticket sizes over EUR 500,000.

Relevant Danish Links

Denmark has strong commercial relationships with Bangladesh, particularly in the textile and ready – made garment sector. Danish textile imports are substantial with recent figures indicating imports valued at approximately DKK 7.5 billion annually. Bangladesh is an important sourcing destination for major brands such as Bestseller and DK Company. But a large number of smaller garment sellers are also active, for example the kids clothing brand Wheat have strong commercial ties to Bangladesh. In addition to textile imports Denmark exports a range of edible products to Bangladesh. One such example is ice cream, where all four major ice cream brands in Bangladesh getting their inputs from Denmark, in particular the flavourings.

Relevance to the Impact Accelerator

Bangladesh faces significant development challenges to ensure inclusive growth, including the need to create quality jobs for two million youths entering the labour market each year.¹ However, these ambitions are constrained due to limited financing. SMEs have challenges in accessing capital due to the lack of risk willing capital and high interest rates. The economy's highly concentrated in the garment sector further increases its vulnerable to shocks. Addressing these financial barriers, lack of capital and diversification, is therefore essential to help unlock broader economic opportunities such as job creation and creating a more resilient and inclusive economy.

Opportunities and Potential Activities

There are concrete opportunities to strengthen SME financing and development in Bangladesh by partnering with established local partners such as IDLC and SEAF.

The large garment industry with strong links to Denmark presents a unique opportunity. Garment factories in general lack financing and additional financing could help the sector progress in a socially and environmentally sustainable way. Danish offtakers could play a key role in this, with typical strong sustainability requirement. Financing would thus be linked to a transition to more sustainable production with Danish offtakers being part of the chain. This would also link to several initiatives support from the Danish Embassy in Bangladesh.

Collaboration with IDLC is a leading non-banking financial institution for SMEs in Bangladesh, known for their innovative lending models, including collateral free loans backed by guarantors. The institution has a track record in managing a blended finance instrument, such as overseeing \$50 million of JICA funds.² IDLC's experience in managing blended finance and supporting SME growth is directly relevant

to the design and implementation of new Danish instruments, making them a potentially valuable partner.

SEAF (Small Enterprise Assistance Funds) provides growth capital and support to mid-sized companies with a focus in sectors beyond garment such as clean tech and business services. They also stand out for having managed several successful exits in the Bangladeshi market, demonstrating expertise in investment management and portfolio development. Their track record offers valuable lessons for structuring future investment partnerships and ensuring sustainability, making them well-placed to support new Danish instrument.

ANNEX 5: List of consultations

Organisation	Key Participants	Meeting date
NEFCO/NOPEF	Søren Berg Rasmussen, Jørgen Skytte, Anders Ørnemark	28.10.2025
KWERA	Jimmy Scavenius	29.10.2025
Frontier Energy	Anders Hauch	30.10.2025
Invest International	Jeoren Vlutters	31.10.2025
Impact Fund Denmark	Anemone Birkebæk, Johanna Raehalme, Theo Ib Larsen	31.10.2025
State of Green	Iver Høj Nielsen, Finn Mortensen	31.10.2025
PlanBørnefonden. Capital4impact	Anders Bach Waagstien, Anne Smith Pedersen, Diana Scalise	04.11.2025
Plesner	Lars Bunch	06.11.2025
L&F	Kenneth Lindharth Madsen, Jeppe Søndergaard	07.11.2025
Maj Invest	Pritesh Modi, Torben Huus	07.11.2025 01.12.2025
Copenhagen University	John Rand	11.11.2025
World Diabetes Foundation	Kirza Buch Kristensen, Anders Bager	12.11.2025
Danske Bank	Stine Jersie Olsen	13.11.2025
Invest for Impact Denmark	Birgitte Frost Mathiesen	13.11.2025
DI	Marie Gad, Clara Halvorsen	13.11.2025
Danish Embassy in Dhaka	Ali Asraf Khan, Rakib Hasan	13.11.2025
Aktive Owners	Lone Søndergaard, Ulrik Fonsmark	14.11.2025
Danish Embassy in Nairobi	Christan Staffeldt	17.11.2025
DGGF (Dutch Good Growth Fund)	Koen Hamers, Corine Wassenaar,	17.11.2025
GFA-Growth	Harry Devonshire	18.11.2025
Danish Embassy in Dhaka	Saadia Taufiq Sadi	18.11.2025
FIELD TRIP KENYA		
Frontier Energy Kenya	Kwame Parker	19.11.2025
Kentaste	Kyle Denning	19.11.2025
Grassroot Business Fund	Lillian Mramba	19.11.2025
Cimbria East Africa	Trevor Rerimoi Simiyu Wamalwa	20.11.2025
Danish Embassy in Kenya	Line Nielsen Tobias von Palaten Hallermund Henrik Larsen	20.11.2025
BidCORO	Mads Burmester	20.11.2025
Impact fund Denmark, Impact Ventures	Ina Mogollon	21.11.2025
Danish Embassy in Kenya	Henrik Larsen	21.11.2025

		Kanar Weasley Kajirwa	
Growth Africa		Ian Lorenzen	21.11.2025
British International Investment		Seema Dhanani	21.11.2025
Antler Africa		Marie Nielsen	22.11.2025
FIELD TRIP BANGLADESH			
Danish Embassy in Bangladesh		Samina Ahsan Shahrukh Saadia Taufiq Sadi Sakib Tanvir Manower Rakib Hasan	23.11.2025
IDLC		Mohammad Abdur Adnan Rashid Nafius Ahmed Syed Javed Noor	23.11.2025
AJS Ventilation		Mannan Mollah Gofanul Hoque	23.11.2025
IFC		Kazi Farhan Zahir Rezwan Haider Ahmed Naveed Ifrad Chowdhury	23.11.2025
Cute Dress Industries		Sheikh H M Mustafiz	24.11.2025
SEAF		Asif Mohmood Jassim	24.11.2025
Golden Harvest		Azizul Huque	24.11.2025
Anchorless Bangladesh		Rahat Ahmed	23.11.2025
Asian Tiger Capital Partners		Iftakharul (Ifty) Islam	23.11.2025
CAL Bangladesh		Nicholas Dipta Gomes	23.11.2025
Ontik Global		Farjad Ahmed	23.11.2025
Nordic Chamber of Commerce and Industry		Tamanna Mahin	23.11.2025
END OF FIELD TRIP			
COHERE		Per Rohrmann Wesselhoff, Helene Følsgaard, Pernille Følsgaard, Stefan Dippmann Falkeborg	28.11.2025
Orana		Betina Moldt Rasmussen Niels Østerberg	28.11.2025
Bestseller Foundation		Tine Henriksen	02.12.2025
EIFO		Jørn Fredsgaard Sørensen, Kenneth Plum, Dan Cleff	03.12.2025

ANNEX 6. Data on Danish commercial engagement in DAC countries

The DAC/ODA classification is based on the OECD DAC list as of Jan 2026.²⁴

Table 1. DK import from ODA/DAC countries (in million DKK)

Country	Import	Lower-middle income	Least developed	DK rep
Mexico	9,524			•
Bangladesh*	8,799	•	•	•
Malaysia	5,492			
Pakistan	2,649	•		•
Ukraine	2,464	•		•
Ghana	1,913	•		•
Nigeria	1,742	•		•
Mali	1,594	•	•	
Sri Lanka	1,435	•		
Kenya	1,201	•		•
Cambodia	1,064	•	•	
Myanmar	1,016	•	•	(•)
Ecuador	734			
Tanzania*	723	•	•	•
Guatemala	691			
Mauritius	525			
Senegal*	523	•	•	•
Honduras	519	•		
Uganda*	424	•	•	•
Montenegro	423			

Source: Statistics Denmark, BBY: Balance of payments yearly by items, receipts/expenditure and country

²⁴<https://www.oecd.org/en/topics/sub-issues/oda-eligibility-and-conditions/dac-list-of-oda-recipients.html#oda-recipients-list>

Table 2. DK subsidiaries in ODA/DAC countries

Country	Number of subsidiaries	Lower-middle income	Least developed	Danish rep
India	206	•		•
Ukraine	104	•		•
Mexico	99			•
Malaysia	94			•
Indonesia	53			•
Philippines	44	•		•
Egypt	36	•		•
Kenya	26	•		•
Morocco	21	•		•
Nigeria	19	•		•
Sri Lanka	17	•		
Bangladesh*	15	•	•	•
Kazakhstan	15			
Ghana	14	•		•
Jordan	13	•		
Nicaragua	11	•		
Mozambique	11	•	•	
Pakistan	10	•		•
Tanzania*	10	•	•	•
Uganda*	10	•	•	•
Zambia	10	•	•	

Source: Statistics Denmark, OFATS4: Danish foreign affiliates by country and unit (“controlled affiliates”)

ANNEX 7. Process Action Plan

Date	Milestone	Responsible
Appraisal	March 2026	DK MFA
External Panel	April 2026	DK MFA
Minister Approval	June 2026	DK MFA
Launch	September 2026	IFDK
Recruitments and procedure manual	October 2026	IDFK
First investments	December 2026	IFDK